



**IMPLEMENTATION EXCISE REGULATIONS
OF VAPE LIQUID IN KPPBC TIPE MADYA CUKAI MALANG**

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ABSTRACT

Studi tentang e-rokok (vape) yang terkait dengan cukai cukup sulit ditemukan di Indonesia. Penelitian ini penting bagi pemerintah dalam mengevaluasi penerapan aturan pajak cukai vape agar lebih adil. Dengan menggunakan metode deskriptif kualitatif, penelitian ini memperoleh temuan bahwa di wilayah kerja KPPBC Tipe Madya Cukai Malang, penerapan peraturan baru terkait vape telah meningkatkan penerimaan cukai sebesar <1% dari total pendapatan cukai tembakau di wilayah tersebut. Kontribusi penerimaan cukai yang masih relatif kecil terhadap cukai keseluruhan mengingat produk baru yang dikenakan cukai. Masih diperlukan mekanisme penyaluran informasi melalui jejaring sosial sehingga kebijakan dan peraturan terkait yang diterapkan dapat lebih efektif.

The study of e-cigarettes (vape) associated with excise is quite difficult to find in Indonesia. Thus, this study becomes important for the government in evaluating the application of vape liquid excise tax rules to make it fairer for businesses. By using a qualitative descriptive research method, this study obtained the findings that in the working area of KPPBC Type Madya Cukai Malang, the implementation of new regulations related to vape had increased the tobacco excise tax revenue by <1% of the total tobacco excise revenue in the Malang region. In Malang, the contribution of excise revenue from vape liquid is still relatively small to the overall excise tax revenue from tobacco products considering the quantity that is still not massive because it is a new product subject to excise. Although the socialization efforts related to this matter can be said to be successful, it is still needed a mechanism for channeling information for example through social networks so that the latest policies and regulations that are implemented can be implemented more effectively.

1. INTRODUCTION

1.1. Background Writing

In the ideology of Calvinism, consuming some goods and certain liquor, giving reasons to the public to levy taxes on those who consume. The act of consuming cigarettes or liquor is considered to be a tax burden for people who do not consume it (Thuronyi, 1996).

Drenkard (2016) states that e-cigarettes have been increasingly popular since 2007. E-cigarette products have now been marketed in many places, such as at gas stations, convenience stores, and stores dedicated to providing these services. According to Wells Fargo Securities, a securities company in the United States, in Drenkard (2016), even though the current e-cigarette market is much smaller than the conventional cigarette market, the cigarette market has grown 23 percent in the 2007-2014 period.

Marquez (2019) states that in recent years, policy discussions at the global level have discussed whether electric cigarettes and other nicotine-free cigarettes should be classified as tobacco products, so they need to be regulated in the same way as cigarettes? The discussion according to him has become very important. Because manufacturers/importers of e-cigarettes have considered e-cigarettes a new diversification of tobacco company business plans. The electronic cigarette device is touted as a technological innovation that is useful to reduce the adverse effects and protect smokers who smoke conventionally.

Data from the Directorate General of Customs and Excise shows the number of vape users in 2017 reached around 900 thousand users, with 650 thousand as active users (Ariyanti. 2018).

Vape is an electronic device that makes a liquid into steam by using electricity from batteries, which are then used as a means to get pleasure such as smoking (Adhitya. 2017, Tegarprakoso. 2018).

According to Risky Chandra Swari on page hellosehat.com, the liquid used in vape has several ingredients such as propylene glycol or glycerin, nicotine, flavor enhancers, and other components namely tobacco-specific nitrosamine (TSNA).

Based on the criteria, content, and vape development, some reasons become the basis for the government to regulate the circulation of e-cigarettes as well as to become a government instrument for controlling consumption and monitoring vape circulation.

To provide regulation on the existence of vape, on October 24, 2017, a Regulation of the Minister of

Finance No. 146 of 2017 concerning Tobacco Product Excise Tariffs, effective from October 1, 2018. The regulation states that vape belongs to other types of tobacco processing (HPTL). With this regulation, tobacco product manufacturers of HPTL types are subject to an excise tax of 57% per gram or milliliters from HJE (Retail Sales Price). HJE is submitted by an entrepreneur/factory importer that has been legally proven by ownership of NPPBKC (excisable goods company code number). NPPBKC is the Number of Excisable Entrepreneurs of Taxable Goods hereinafter abbreviated as NPPBKC.

The imposition of excise tariffs is imposed by the Directorate General of Customs and Excise of the Ministry of Finance by granting permission to domestic producers/importers who sell electric cigarettes or vape to embed excise stamps on vape products they sell. By using excise tapes, the products produced are declared eligible for consumption or trade.

Based on data from www.liputan6.com (Situmorang, 2018), as many as 150 to 200 producers in Indonesia will be registered and wear excise ribbons. The legal granting of licenses certainly provides the potential for increased state revenue from excise taxation.

Although regulations have an impact on the potential for increased state revenue, some vape business operators consider that the imposition of a tariff of 57% is too high for the newly growing vape industry in Indonesia. Moreover, the existence of vape in Indonesia is not as massive as cigarette bars (Rahayu. 2018).

As a new excise subject, KPPBC Tipe Madya Cukai Malang hereinafter referred to as the KPPBC Malang is known to have carried out routine assistance intending to escort and facilitate vape liquid business actors in managing their business licensing and when ordering and sticking the excise tape. Not a few vape business actors who responded positively to the existence of policies on the application of tariffs to their vape liquid products, but in practice, the implementation of vape liquid excise tariffs in KPPBC Malang still has many problems.

These problems are such as the vast working area of KPPBC Malang so that it is difficult to explore each location that has the potential to have illegal vape liquid products as well as inadequate information absorbed by vape liquid business actors despite repeated socialization.

Trying to find out the relevance of the implementation of vape liquid excise tariffs with an increase in total excise revenue and understanding the problems that occur as a result of the application of vape liquid excise tax rules in the Office of

Supervisory Services and Customs and Excise Services of the Middle Type of Malang (KPPBC Malang) writer in making this scientific work.

The research location was chosen in Indonesia at the KPPBC Malang office because the office is a vertical office within the Directorate General of Customs and Excise (hereinafter referred to as DJBC) is an Indonesian government agency under Ministry of Finance that serves the community in the field of customs and excise, with the majority of services in the excise sector (www.beacukai.malang.com).

By researching this matter, it is expected that in the future the application of vape liquid excise tax rules will be fairer for businesses so that state revenue will be more optimal.

1.2. Purpose of Writing

The objectives to be achieved by the author in this are:

1. Knowing the relevance of the implementation of vape liquid excise tariffs with an increase in total tax revenue at KPPBC Malang.
2. Reviewing the suitability of the implementation of vape liquid excise tariffs with PMK 146/PMK.010/2017 and changes to the Excise Tariff of Tobacco Products at KPPBC Malang.

1.3. Scope of Discussion

The scope of this paper is a review of the Implementation of Vape Liquid Excise Tariffs at KPPBC Malang. The author seeks to explain the relevance of the implementation of the vape liquid excise tax rates with an increase in the total excise tax revenue at KPPBC Malang and know the problems that arise in the implementation of the vape liquid excise tariffs.

2. LITERATURE REVIEW

2.1. State Revenues from Excise

2.1.1. Definition of Excise

Excise is a state levy imposed on certain goods that have nature or characteristics specified in the law. Excise plays an important role in many countries' taxation systems. Increased awareness of the effects of smoking and drinking alcohol on health, and the high social costs caused, turning the literature on excise tax into a 'corrective' taxation tool. The system used in excise is defined as taxes or duties that are subject to selective use of certain commodities and other specific activities. As an indirect tax, excise is levied on transactions and not on people or companies. excise is a consumption tax. excise tax can be collected at various stages, production, wholesale, or retail (Cnossen. 2011 & Giertz. 2008).

In the state budget posture, the excise position in state revenue is part of domestic revenue. Then classified more specifically as one of the tax revenue posts.

Characteristics of goods subject to excise, by Article 2 paragraph (1) of Law Number 39 of 2007 concerning Amendments to Law Number 11 of 1995 concerning Excise, are as follows.

1. consumption needs to be controlled;
2. circulation needs to be monitored;
3. its use can harm society or the environment; or there
4. use requires the imposition of state levies for justice and balance, subject to excise according to this law.

Based on Article 4 of the law, excisable goods consist of 3 types, namely:

1. Ethyl alcohol or ethanol, with no regard to the material used and the manufacturing process.
2. Drinks containing ethyl alcohol to any degree, regardless of the ingredients used and the manufacturing process. Including concentrates containing ethyl alcohol.
3. Tobacco products, which include cigarettes, cigars, leaf cigarettes, sliced tobacco, and other tobacco processing results, with no regard for the use of substitute or auxiliary materials in their manufacture.

In Article 5 of the law, the imposition of tariffs on Excisable Goods is divided into excise tariffs on tobacco products and other excise tariffs. Tariff relating to excise on tobacco products is contained in Article 5 paragraph (1) which states that the excise tax in the form of tobacco products is subject to excise based on the highest tariff with the following conditions.

1. for those made in Indonesia:
 - a) 275% (two hundred seventy-five percent) of the base price if the base price used is the factory selling price; or
 - b) 57% (fifty-seven percent) of the base price if the base price used is the retail sale price.
2. for imported:
 - a) 275% (two hundred seventy-five percent) of the basic price if the basic price used is the customs value plus import duty; or
 - b) 57% (fifty-seven percent) of the base price if the base price used is the retail sale price.

2.1.2. Excise from Tobacco Processing Other

Excise from tobacco processing is one type of excise on tobacco products. Based on PMK-

67/PMK.04/2018 it is stated that Results of Other Tobacco Processing hereinafter referred to as HPTL.

HPTL is tobacco products made from tobacco leaves other than those called cigarettes, cigars, cigarette smoke, and sliced tobacco made by technological developments and consumer tastes, without regard to substitutes or auxiliaries used in their manufacture.

According to PMK-146/PMK.010/2017 concerning Tobacco Excise Tariffs, HPTL includes tobacco extracts and essences, molasses tobacco, snuff tobacco, chewing tobacco. The division of HPTL into 4 types is explained further in the Minister of Finance Regulation No. 156 of 2018 as follows.

1. Tobacco Extracts and Essence

Figure I

The Physical Form of E-liquid / E-juice and Tobacco Capsule



Source: DJBC Ministry of Finance

Based on PMK 156/PMK.010/2018, the definition of tobacco extracts and essences are tobacco products in the form of liquid, solid, or other forms originating from processing tobacco leaves made using extraction or other means by the development of substitutes or auxiliary material in its manufacture.

Tobacco extracts and essences are provided to end consumers in retail sales packaging, which are consumed by heating using an electric heating device and then smoked including liquids which fill the vape, electrically heated tobacco products electrically heated tobacco products,, tobacco capsules (tobacco capsule), or liquid and heater in one unit (cartridge).

2. Tobacco Molasses

Figure II

The Physical Form of Tobacco Molasses



Source: DJBC Ministry of Finance

Based on PMK 156/PMK.010/2018, the definition of molasses tobacco is tobacco products derived from the processing of tobacco leaves which are made and shaped in such a way according to technological developments and consumer tastes without regard to substitutes or auxiliaries in their manufacture, which are heated using shisha / hookah (long pipes that are given water to smoke tobacco) or similar devices, which are consumed by smoking.

3. Tobacco Snuff (Snuff tobacco)

Figure III

The Physical Form of Inhaled Tobacco



Source: DJBC Ministry of Finance

Based on PMK 156/PMK.010/2018, the definition of inhaled tobacco is tobacco produced from processing tobacco leaves made and shaped in such a way according to technological developments and tastes consumers without regard to substitutes or auxiliaries in their manufacture, which are consumed by inhalation.

4. Tobacco Chewing (chewing tobacco)

Figure IV

The Physical Form of Chewing Tobacco



Source: DJBC Ministry of Finance

Based on PMK 156/PMK.010/2018, the definition of chewing tobacco is tobacco produced from processing tobacco leaves that are made and shaped in such a way according to technological

developments and tastes consumers without regard to substitutes or auxiliaries in their manufacture, which are consumed by chewing.

2.1.3. Excise Tariff for Other Tobacco Processing Products

By PMK No. 146/PMK.010/2017, in the framework of determining excise tariff for tobacco product manufacturers or importers notifying tobacco product brands as the identity of tobacco products, Article 1 paragraph (21).

In the case of classification of factory entrepreneurs, other excise tobacco product entrepreneurs are stipulated as factory entrepreneurs with no class and no limit on the amount of production

In Article 6 paragraph (1), "Excise tariff on tobacco products is determined using the amount in rupiah for each unit tobacco product stems or grams ". HPTL is specifically explained further in Article 6 paragraph (3) that the tobacco product excise tax rate is set at 57% (fifty-seven percent) of the Retail Sale Price (HJE) submitted by the tobacco product Manufacturer or Importers are listed in Attachment II which is an integral part of Ministerial Regulation Ke the money. The tariff is determined by the Head of Office by issuing a decision regarding the determination of the tobacco excise tariff.

2.1.4. Administration of Excisable Goods Entrepreneur Number for HPTL Entrepreneurs

Based on the Regulation of the Minister of Finance Number 66/PMK.04/2018 concerning Procedures for Granting, Freezing and Revocation of NPPBKC is a permit to carry out activities as factory entrepreneurs, storage business entrepreneurs, importers of excisable goods, distributors, or retail sales establishments in the field of excise.

1. Requirements for obtaining NPPBKC

- a) domiciled in Indonesia; or
- b) legally represent an individual or legal entity domiciled outside Indonesia.

In Article 6 paragraph (2) of the Regulation of the Minister of Finance Number 66/PMK.04/2018 it is stated that in order to be granted NPPBKC, business actors must have a business license from the relevant agency, submit application for obtaining NPPBKC, submit registration data of the Excisable Entrepreneur and submit a sufficient stamped statement stating that the business actor submitting the application has no objection to the NPPBKC being frozen or revoked. Business operators must also submit applications that are fully responsible for all activities carried out.

2. Location requirements are

- a) not directly related and have permanent boundaries that are separated from non-factory parts;
- b) border directly and can be entered from public roads;
- c) location area according to the permission of the relevant agency;
- d) have a place to store raw materials or supporting materials;
- e) has a place and equipment to make and/or package BKC
- f) has a place to hoard BKC that is finished making; and
- g) has a place to hoard the BKC that has already been paid excise

2.2. Vape as an Excise object

The Minister of Finance's regulation governing tobacco product excise rates changes every year by government policy. The term Other Tobacco Processing Results has existed since 2005 in the Regulation of the Minister of Finance of the Republic of Indonesia Number 43/PMK.04/2005 concerning Determination of Tobacco Product Base Prices and Excise Rates.

Related to the existence of vape as an excise object, Regulation of the Minister of Finance No. 146 / PMK.010 / 2017 concerning Tobacco Excise Tariffs has rearranged the definition of HPTL into 4 new types that are subject to an excise tax of 57% of the Retail Sale Price.

In its development, in 2018 a Minister of Finance Regulation No. 156/PMK.010/2018 was issued concerning Amendment to the Minister of Finance Regulation No. 146/PMK.010/2017 concerning Tobacco Product Excise Tariffs.

In accordance with Press Release Number 62/ KLI/2018 dated December 16, 2018, the amendment points contained in the regulation related to vape liquid excise is to add provisions related to the minimum Retail Selling Price (HJE) limits of Other Tobacco Processing Results (HPTL) so that it is necessary to amend Chapter I General Provisions and Appendix II of PMK No. 146/PMK.010/2017.

Table I
HPTL Excise Tariff
2012-2018

Regulation of the MoF (PMK)	Limitation of HJE and Excise Tariff for Domestic Artificial Tobacco Products	
	HJE per bar/gram (lowest)	Tax rate per bar/gram
179/2012	Rp275	Rp100
205/2014	Rp303	Rp110
198/2015	Rp305	Rp110
147/2016	Rp305	Rp110

146/2017	-	-
156/2018	-	-

Source: Annex PMK regarding Excise Tariff 2012-2016

In 2017-2018, due to the presence of vape, HJE limits and HPTL excise rates are further regulated into PMK No. 146/PMK.010/2017 and PMK No. 156/PMK.010/2018 attachments.

Table II
HPTL Excise Tariff 2017

Business Classification		HJE per gram/ millimeter	Excise Rates
HPTL	All	Retail Selling Prices proposed by entrepreneurs (factories / importers)	57%

Source: Annex II PMK No. 146/PMK.010/2017

Table III
Minimum Retail Selling Prices and Excise Tariff HPTL 2018

No.	Product	HJE Minimum	Unit	Excise Rates
1	Tobacco Extracts and Essences, in the form			57%
	a. Bar	Rp1.350	bar	
	b. Cartridge	Rp30.000	cartridge	
	c. Capsule	Rp1.350	capsule	
	d. Liquid	Rp666	mililiter	
2	Tobacco Molasses	Rp175	gram	
3	Inhale tobacco	Rp175	gram	
4	Chewing tobacco	Rp175	gram	

Source: Annex PMK No. 156/PMK.010/2018

2.3. Previous Research related to Vape

Research that links the consumption of electric cigarettes with excise is still quite rarely found in Indonesia. Research on the consumption of e-cigarettes is more often associated with their impact on health.

Vape which is known to have the same negative effects as conventional cigarettes for health began to enter Indonesia in early 2012 (Rozid. 2018). As is known, the use of vape causes negative externalities for the surrounding community if it wisely takes part in sucking up the steam. The potential for diseases arising from the behavior of electric cigarette users raises the potential cost of treatment for the surrounding community so that imposing a high vape tax policy is considered the right step.

In 2013 (Setiaji. 2018), the World Health Organization (WHO) released some

recommendations related to electronic cigarettes as follows:

1. Prohibiting the use of electric cigarettes in places where tobacco cigarettes should not be consumed.
2. Prohibit the sale of e-cigarettes to people who may not consume tobacco cigarettes.
3. Imposing restrictions on the promotion of e-cigarettes, the same as tobacco cigarettes.
4. Prohibit joint promotion of e-cigarettes with tobacco cigarettes.
5. Prohibiting mention of electric cigarettes is healthier than tobacco cigarettes.

In neighboring countries (Setiaji. 2018), policies on e-cigarettes vary. In Malaysia, e-cigarettes are regulated on policies on cigarettes and electronic goods. In Singapore, Vietnam, and Brunei Darussalam, e-cigarettes are equated with tobacco cigarettes, so e-cigarettes are regulated with the same regulations as tobacco cigarettes. In Cambodia, there are new rules at the Ministry Circular that regulate imports, sales, and places that are not allowed to consume e-cigarettes. In the Philippines, new government regulations for e-cigarette regulations were issued. Thailand chose a combination of existing rules and issued new regulations related to e-cigarettes.

In America, in 2016, the FDA (Food and Drug Administration) as an agency in full control over the distribution of food and drugs in the United States issued a number of restrictions on the distribution and consumption of e-cigarettes-cigarettes () including similar products such as e-cigars or hookahs (long and flexible pipe for smoking tobacco from a glass flask). The FDA then evaluates, for two years, to decide which products may be on the free market and which products are prohibited (www.gatra.com). One of the considerations of the ban is also because there are not yet any specific regulations regarding electronic cigarettes whose use is increasingly popular (Anwar. 2017).

According to Fruits (2018), the imposition of excise on e-cigarettes faces various strategies that consider the principles of reducing the adverse effects of e-cigarette consumption through the imposition of excise/tax. The imposition of a low excise tax compared to conventional cigarettes will guide consumers towards safer alternatives in consuming smoking.

Rozid (2018) cites the results of research from The New York Academy of Science, which found that adults who choose e-cigarettes/cigarettes in Indonesia had a proportion of 0.3%, Italy 1.2%, Greece 1.9%, and Poland 5, 9%. A study conducted by Pepper, et. all (2018), which aims to identify

demographic, personal, and household characteristics of adults in New York associated with a higher prevalence of using cigarettes, e-cigarettes, hookahs, and cigars (including small cigars and cigars), found that from overtime the use of other tobacco products has remained stable or even increased. For example, among New York adults, cigar use rose from 4.3% in 2010 to 6.6% in 2016 and more than 3% (3.1%) of New York adults using e-cigarettes in 2012, increased to 5.5% in 2016.

One of the main challenges for policymakers is determining how this product should be treated concerning tax policy. Because, it is estimated that in the next few decades, the consumption of e-cigarettes will exceed the consumption of conventional cigarettes.

Although there have been other terms of processing of tobacco products since 2005, in the Regulation of the Minister of Finance of the Republic of Indonesia Number 43/PMK.04/2005 concerning the Determination of Tobacco Product Base Prices and Excise Rates, during the 2012-2018 period, in Indonesia there was a legal vacuum in terms of excise regulation for consumption of e-cigarettes.

According to Anwar (2017), the Food and Drug Supervisory Agency (BPOM) once explained plans to make rules in 2014, but until 2017 the regulation has not been clear. At that time, according to the Directorate of Drug and Food Control Agency (BPOM), it was revealed that the electronic cigarette products in Indonesia were imported as electronic products, not health products, so that the products were sold freely without excise, without warning labels, without hazard labels, and without standardization.

3. RESEARCH METHODS

Research methodology is a branch of science that discusses / questions about ways to carry out research (that includes activities to search, record, formulate, analyze to compile reports) based on facts or symptoms scientifically (Priyono, 2016). The methods to be used in collecting both primary and secondary data are as follows:

3.1. Literature Study

John W. Creswell (2012) defines a literature study as follows: "A literature review is a written summary of journal articles, books, and other documents. that describes the past and current state of information on the topic of your research study". In searching for existing theories and practices, researchers will gather information according to the needs of the relevant literature. Literature sources can be obtained from books, journals, regulations,

magazines, research results (theses and dissertations), and the internet.

3.2. Field Studies

1. Interviews

In a book titled Educational Research, Creswell (2012) defines interviews as follows: "A qualitative interview occurs when researchers ask one or more general participants, open-ended questions and record their answers". The researcher then transcribes and types the data into a computer file for analysis. The interview method is used if the researcher wants to know things from the respondents in more depth and the number of respondents is small. Data collection techniques with interviews can be done in a structured manner and can be done through face to face or by using the telephone or via social media. The subject of the interview is the parties related to the receipt of excise in the Malang work area.

2. Observation

The observation method is "the process of gathering open-ended, first-hand information by observing people and places at a research site." (Creswell 2012). Then, Fraenkel and Wallen (2009) said that: "Certain kinds of research questions can be best answered by observing how people act or how things look." Observations made in the writing of this paper take the form of direct observation of existing data.

4. DISCUSSION

4.1. Implementation of Vape Liquid Excise Tariff in the KPPBC Malang

2017 is the first year that one of the community's business products is recognized by the government, especially by the Directorate General of Customs and Excise. The product is in the form of electric cigarettes/vape which in recent years experienced an increasing trend of usage by the public (Adhitya, 2017).

Regulation of the Minister of Finance No. 146 of 2017 concerning excise tax rates on tobacco products constitutes a legal umbrella for the legality of electric cigarette/vape business products in Indonesia. At first, DJBC hinted that the regulation would be effective starting July 1, 2018.

However, the importance of relaxation in preparation for implementing the collection of tariffs made the regulation effective from October 1, 2018. Relaxation was carried out to give time for vape entrepreneurs to take care of their business licenses. KPPBC Malang, as one of the vertical agencies of the

Directorate General of Customs and Excise, implemented this policy by the effective date in force.

The application of tariffs by KPPBC Malang is carried out by applicable regulations, namely Regulation of the Minister of Finance Number 156/PMK.010/2018 concerning Amendments to Regulation of the Minister of Finance Number 146/PMK.010/2017 concerning Tobacco Product Excise Tariffs.

Based on observations and explanations from KPPBC Malang employees, HPTL products circulating in the KPPBC Malang working area are the majority of the first type, namely Tobacco Extract and Essence. In the field, the product is known as liquid vape.

Before the effective date of the implementation of the applicable regulations, a socialization effort has been carried out by the Malang KPPBC in Malang. The implementation of this socialization has even been urged by the Regional Office of East Java DJBC II to be immediately carried out before October 2018. This effort has become one of the innovations in controlling vape businesses so that they have to do licensing at KPPBC Malang.

The KPPBC Malang held socialization of the rules on excise tariffs for Other Tobacco Processing Results (HPTL) on Thursday, August 2, 2018 (Wahyunik, 2018). The activity was followed by vapor associations and vape sellers. The socialization activity was attended by 54 participants from vape associations and sellers.

Besides inviting vape entrepreneurs to take part in the socialization, a visit to all vapor shops in Malang Raya was also carried out. This method is carried out as an effort to reach all shops involved with vape sales so that the implementation of vape liquid excise tariffs can be carried out optimally and thoroughly.

Another effort undertaken by the KPPBC Malang is to collaborate with the local City Government (through the trade and industry department). KPPBC Malang has appealed to the City Government to provide information to vape business actors who are taking care of business licenses that the goods (liquid vape) have been subject to excise duty starting October 1, 2018.

Furthermore, KPPBC Malang also invites the public to actively participate in reporting the circulation of vape which is still illegal in their environment. An employee at the KPPBC Malang office explained that the customs and excise office would leave contacts that could be contacted by residents so that the community also played a role in implementing the excise tax policy on the vape liquid.

Vape liquid business operators have carried out their licensing procedures to obtain legal permits as

evidenced by the issuance of NPPBKC. As of February 2019, eight vape liquid business players have been registered at KPPBC Malang. The vape liquid business actors are Sky Team, CV Indy Flavors, CV Reareo Multimedia, CV Indo RSVP Group, Donking Vape, CV Terminal Vapor Indonesia, PT Vapor Lab Indonesia, Euroglobal. 6 of the 8 vape industries are located in Malang City and the rest is located in Malang Regency.

Table IV
Timeline Date of Application for Check Location
Location

Company Name	Date Application Letter (Check Location)
CV Terminal Vapor Indonesia	8 August 2018
CV Indo RSVP Group	16 August 2018
Donking Vape	18 August 2018
CV Reareo Multimedia	20 August 2018
PT Vapor Lab Indonesia	13 September 2018
Euroglobal	8 October 2018
Sky Team	11 November 2018
CV Indy Flavors	25 January 2019

Source: KPPBC Malang

Based on Table IV, in August 2018 4 vape businesses were submitting a location check application as one of the stages of the procedure for obtaining NPPBKC. Other vape businesses apply for location checks in September, October, November, and January, 5 out of 8 vape businesses apply for a location check during the relaxation period before October 1, 2018. This illustrates that business operators also respond positively related to the existence of a Minister of Finance Regulation which becomes the legal umbrella for their industry.

Based on a written interview by the author, 6 of 6 respondents (vape entrepreneurs) stated that they already knew about the existence of PMK Number 146 of 2017 concerning Tobacco Product Excise Tariff. Then, the 6 respondents have also learned that starting October 1, 2018 vape liquid is subject to excise of 57% per proposed Retail Sale Price (HJE). Based on the interview, respondents of the vape business operators obtained information regarding the imposition of vape liquid excise tariffs from the following sources:

1. Social Media (2 respondents)
2. Malang Customs and Excise (2 respondents)
3. Indonesia-APVI Personal Vaporizer Association (2 respondents)
4. Others (1 respondent)

In the author's interview with one of the KPPBC Malang employees found out that, KPPBC Malang made routine assistance in ordering and paying the excise tape. The assistance activities are carried out in the initial period when the vape business actors have

been registered and are valid as excise entrepreneurs. This was done to provide services and facilities in the future in managing excise tapes, considering that the vape business actor is a new excise subject.

4.2. The Relevance of Vape Liquid Excise Tariff Implementation With Increased Total Excise Revenue

The imposition of an excise tax on new goods/products is one form of intensification of goods subject to excise duty, one of which is to increase state revenue. Head of Sub Directorate of Excise Tariffs and Basic Prices of DJBC Sunaryo, target revenues from the enactment of this tariff of Rp100-Rp200 billion throughout Indonesia (Suwiknyo, Edi. 2018).

Tobacco excise revenue is still dominated by excise from conventional cigarettes. In line with the statement of Head of Reception and Data Management of Regional Office of DJBC East Java II and staff of the Customs and Excise service section, that the acceptance of vape liquid excise tax is still relatively small compared to cigarette excise given that it is still a new excise tax object. That the potential revenue from the vape liquid excise tax is still unknown, so while the focus of the application of the tariff policy on vape liquid is more on object control and legality.

Based on Table V, it can be seen that the contribution of revenue from HPTL excise/vape liquid per month is not up to 1% of the total excise revenue from tobacco products.

Table V
Comparison of Vape Fluid Excise Receipt / Total Annual HPTL Revenue (in millions)

Year	Vape (A)	Total HPTL Excise (B)	% (A/B)
2018	Rp4.632	Rp8.172.312	0,06%
2019	Rp1.608	Rp1.086.059	0,15%

Source: KPPBC Malang

In 2018, KPPBC Malang has realized state revenues from HPTL / vape liquid excise in its area of Rp4,632,390,000 and total revenue from all components of Tobacco Products in its area amounted to Rp8,172,312,017,830. Then, until February 2019, Malang KPPBC realized state revenues from HPTL / vape liquid excise in its area amounted to Rp1,608,310,575 and the total revenue from all Tobacco Product components in its area amounted to Rp1,086,059,121,775.

Table VI illustrates the percentage of vape liquid excise tax on the total tobacco excise revenue at KPPBC Malang. The data was taken from October 2018 since the regulation on vape liquid excise tax

rates began to be applied, until February 2019. From the table, the percentage of vape liquid excise tax on total tobacco excise tax revenue is relatively under 1%. The highest percentage occurred in January 2019 of 0.7185% of the total tobacco excise revenue.

Table VI
Vape Excise Receipt
October 2018-February 2019 (in millions)

Year	Vape (A)	Total HPTL Excise (B)	% (A/B)
Oct 2018	Rp1.814	Rp2.279.216	0,08%
Nov 2018	Rp1.855	Rp2.795.612	0,07%
Dec 2018	Rp963	Rp3.097.484	0,03%
Jan 2019	Rp655	Rp91.190	0,70%
Feb 2019	Rp953	Rp994.869	0,10%
Jumlah	Rp6.240	Rp9.258.371	0,07%

Source: KPPBC Malang

Based on field observations, the price of 1 liquid vape product ranges between Rp 100,000 - 200,000. If a simple calculation is made, the excise tax rate of IDR 57,000 to IDR 114,000 (57%). Prices after being subjected to excise become Rp154,000 to Rp 314,000. The higher the retail sale price is set, the higher the excise tax is imposed because the vape excise liquid tariff is an ad Valorem or percentage rate.

Unlike cigarettes, the excise tax is a specific number (not a percentage) set by the government each year. For example, for cigarette type SKM group 1, the lowest HJE is set at Rp1,120 in 2017 with an excise tax of Rp590. A pack of cigarettes containing 12 cigarettes, excise tax of 12 x Rp590, or Rp7,080 for a pack of cigarettes (12 cigarettes).

Furthermore, for comparison, in the Minister of Finance Regulation No. 156 of 2018 concerning Amendment to the Minister of Finance Regulation No. 146 of 2017 concerning Tobacco Product Excise Tariff, the minimum HJE set for vape liquid (liquid) is Rp666 per milliliter with an ad Valorem tariff of 57%. According to information from one of the sources interviewed by the author, the type of vape liquid that is most popular is that which has a volume of 60ml. The HJE that is charged is 60 x Rp 666 or Rp 39,960. By applying a 57% tariff, the excise that can be collected is IDR 22,777.

It can be said that the excise levied on 1 vape liquid product is greater than 1 cigarette product with a note that the vape liquid tariff still uses a 57% tariff. Reflecting on the upward trend in the vape liquid industry each year, this industry has the potential to contribute significantly more state revenue. This requires effective control of the vape liquid industry that is not yet legal by the customs and excise authorities especially at the Customs and Excise Service and Supervision Office as a field implementation unit.

4.3. Identification of Problems that Occurred Since the Vape Liquid Excise Tariff was enacted.

The application of tariffs on new objects, namely vape liquid, is one of the efforts to expand excise objects to control product circulation and increase state revenue. Several business actors whose writers interviewed said that the policy of applying the vape liquid excise tariff is a certainty for their efforts to be more developed. However, some consider that with the tariff, their business profit decreases. The author will identify problems that have occurred since the enactment of vape liquid excise tariffs from two points of view, namely from the government side through KPPBC Malang and from the side of vape liquid business actors that have been registered at KPPBC Malang.

1) Problems at KPPBC Malang

The application of vape liquid excise tariffs in the Malang region requires intensive socialization considering the vape liquid is a new object. In other words, the socialization must be carried out evenly to all places in the Malang region. One of the interviewees, The executor of the KPPBC Malang Information Service Center (PLI), said that the obstacle faced when conducting the socialization was the Malang area which was quite extensive. A field visit must be carried out effectively, so according to the informant, the customs and excise party made use of some social media such as Instagram, Facebook, Google, and other media to obtain information on the location of the relevant Vapor business.

Also, the customs and excise party requested the assistance of vapor shops that had been visited to open information about other vapor shops that had not been touched on or were still selling vape without excise tapes. Informants assumed that business competition helped them. For example, there are still sellers without excise ribbons, their market prices are automatically lower than those that have been clamped with excise ribbons. In terms of economic behavior, it is expected that vape sellers who are already in customs will report the matter to the customs and excise party.

Head of Reception and Data Management of Regional Office of DJBC East Java II emphasized on information dissemination that could not be well absorbed by vape entrepreneurs. In reality on the ground, there are still many vape business operators who do not know about the application of excise tariffs on their vape liquid products. She added that many of the business actors still did not understand how to arrange permits for their industries

2) Problems from the Perspective of Vape Liquid Business Actors

In gathering information from vape liquid business actors registered in KPPBC Malang, the author managed to visit 6 of 8 vape liquid industries in Malang. The author describes the points of the questions needed by using the interview model in writing and gets the following results:

- a) 3 of 6 vape business actors experienced a turnover decrease due to the application of vape liquid excise tariffs (PMK 146 of 2017). However, all speakers agreed to the existence of these regulations. These vape entrepreneurs become relieved and comfortable in entrepreneurship. All speakers supported the legalization of vapor in Indonesia through this regulation.
- b) 2 of 6 vape entrepreneurs experience difficulties in terms of NPPBKC administration. One informant said that the administrative process was still complicated. Then other speakers experienced difficulties in the Malang Regency Government which had not yet facilitated the vapor legalization process.
- c) Excise tax rates are still too high for their relatively new businesses. Tariffs are also fairly high for policies on new products subject to excise. Mr. Galuh as the owner of CV Indy Flavors complained about the tariff imposed that was too burdensome for their industry. He suggested that the government should slowly implement the tariff policy and not immediately set a tariff that is too high. Then, 1 out of 6 speakers suggested simplifying the procedure for imposing excise duty.
- d) There is still a lot of circulation of vape excise liquid that is illegal on the market. One of the interviewees found a tax ribbon that was resold at an online store.
- e) 5 of 6 speakers expect the government, especially customs and excise parties, to increase supervision and enforcement of illegal vape liquid circulating in the market. Aside from being fair to fellow vape liquid producers, this needs to be done to support and oversee the vape liquid industry in the hope that the vape industry can last for a long time so that it can become a profitable business opportunity for entrepreneurs and help contribute to state revenue which is derived from Excise.

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusions

Overall the application of excise tariffs for Other Tobacco Processing Products in the working area of KPPBC Malang has been by the regulations stipulated by the Directorate General of Customs and Excise

namely the Minister of Finance Regulation No. 146 of 2017 and the amendment regulations Number 156 of 2018 concerning Tobacco Excise Tariffs.

In the KPPBC Malang working area, the existence of a vape liquid excise tax policy increases tobacco product excise revenue by <1% of total tobacco product excise revenue or by Rp 6,240,700,575. The contribution of excise revenue from vape liquid is still relatively small to the overall excise tax revenue from tobacco products considering the quantity that is still not massive because it is a new product subject to excise.

KPPBC Malang implements various ways and innovations in socializing the latest regulations to vape businesses as follows.

1. Outreach to the field and by invitation.
2. Cooperating with the local city and district government.
3. Assistance with information from the community.

This socialization effort can be said to be successful by seeing vape business actors who already know that starting October 1, 2018, vape liquid will become a taxable item.

From the side of vape liquid business actors, most of them support and approve the existence of a legal umbrella that protects their business (PMK No. 156/PMK.010/2018 concerning Amendment to PMK Number 146/ PMK.010/2017 concerning Tobacco Product Excise Tariff). However, the business operators stated that the tariff charged was too high for new products so that some of them experienced a turnover. On the other hand, according to them, there is still a lot of circulation of illegal vape liquid products on the market that requires firm action from the customs and excise so that justice in entrepreneurship can be achieved.

5.2. Suggestions / Recommendations

A more effective and efficient system or mechanism for distributing information such as through social networks consisting of customs employees and business actors and establishing direct communication (customs and business) can be an effective means for the government and the community when there are policies and regulations the latest that needs to be applied. So that the aspirations of business actors can be directly conveyed to the KPPBC Malang so that short and long term solutions can be found immediately if there are problems.

The need for intensive action from KPPBC Malang following the imposition of more strict sanctions on the circulation of illegal vape liquid on the market is expected to avoid unhealthy business

competition between licensed entrepreneurs (NPPBKC) and those that are still illegal and will secure state revenue.

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